



401 West A Street, Suite 2600
San Diego, CA 92101

PHONE (619) 236.1551
FAX (619) 696.1410

www.higgslaw.com

Martin A. Eliopoulos
Partner
elio@higgslaw.com
D 619.595.4278

October 16, 2018

Via Federal Express and E-mail to Debtors' Counsel

Ray C. Schrock, P.C.
Jacqueline Marcus
Garrett A. Fail
Sunny Singh
WEIL, GOTSHAL & MANGES LLP
767 Fifth Avenue
New York, NY 10153

Robert A. Reicker
Chief Financial Officer
Sears Holding Corp.
3333 Beverly Road
Hoffman Estates, IL 60179

Re: ***Sears Holdings Corporation, et al (collectively the "Debtors",
Case No. 18-23538 (RDD);
BH North America Corporation Demand for Reclamation of Goods Pursuant to
Bankruptcy Code 5 546(c) and U.C.C. § 2-702***

Dear Mr. Schrock, Ms. Marcus, Mr. Fail, Mr. Singh, and Mr. Reicker:

Please be advised that this office represents BH North America Corporation ("BH") with respect to the above-referenced, jointly administered Chapter 11 cases, which are currently pending in the United States Bankruptcy Court for the Southern District of New York¹.

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are as follows: Sears Holdings Corporation (0798); Kmart Holding Corporation (3116); Kmart Operations LLC (6546); Sears Operations LLC (4331); Sears, Roebuck and Co. (0680); ServiceLive Inc. (6774); A&E Factory Service, LLC (6695); A&E Home Delivery, LLC (0205); A&E Lawn & Garden, LLC (5028); A&E Signature Service, LLC (0204); FBA Holdings Inc. (6537); Innovel Solutions, Inc. (7180); Kmart Corporation (9500); MaxServ, Inc. (7626); Private Brands, Ltd. (4022); Sears Development Co. (6028); Sears Holdings Management Corporation (2148); Sears Home & Business Franchises, Inc. (6742); Sears Home Improvement Products, Inc. (8591); Sears Insurance Services, L.L.C. (7182); Sears Procurement Services, Inc. (2859); Sears Protection



Sears Holding Corp., *et. al.*
October 16, 2018
Page 2

A. Reclamation Demand.

As set forth in the spreadsheet summary attached as **Exhibit "A"**, BH sold certain goods (collectively the "Prepetition Invoiced Goods") to at least one of the Debtors including, but not limited to, Sears, Roebuck and Co. True and correct copies of the underlying invoices are attached as **Exhibit "B"**.

The Prepetition Invoiced Goods were sold to the Debtors on credit and received by the Debtors while they were insolvent, which insolvency is evidenced, in whole or in part, by the Debtors' filing of Petitions for Relief under Chapter 11 of United States Code, 11 U.S.C. § 101, et seq. (the "Bankruptcy Code") on October 15, 2018 (the "Petition Date"). The Debtors received the Prepetition Invoiced Goods, shipped by BH, in the 45-day period preceding the Petition Date, or between August 31, 2018, and October 15, 2018 (the "Reclamation Period"). The value of the outstanding invoices related to the Prepetition Invoiced Goods is **\$284,760.00**.

Demand is hereby made pursuant to 11 U.S.C. § 546(c) and U.C.C. § 2-702 (and the applicable U.C.C. provisions in the states where the goods were delivered), for return of the Prepetition Invoiced Goods. BH demands the immediate return of the Prepetition Invoiced Goods. In the interim, BH demands that the Debtors immediately segregate the Prepetition Invoiced Goods. Please take notice that these goods are not to be sold, used or otherwise transferred except with our written consent or by order of the court of competent jurisdiction entered upon prior notice to BH.

This demand is made without prejudice to BH's rights to (a) seek an 11 U.S.C. § 503(b)(9) administrative claim with respect to any portion of the Prepetition Invoiced Goods that were received by the Debtors within twenty (20) days before the Petition Date, (b) assert any lien rights with respect to the Prepetition Invoiced Goods, and (c) seek an 11 U.S.C. § 503(b)(1) administrative claim with respect to any portion of the Prepetition Invoiced Goods that were received by the Debtors after the Petition Date.

Company (1250); Sears Protection Company (PR) Inc. (4861); Sears Roebuck Acceptance Corp. (0535); Sears, Roebuck de Puerto Rico, Inc. (3626); SYW Relay LLC (1870); Wally Labs LLC (None); Big Beaver of Florida Development, LLC (None); California Builder Appliances, Inc. (6327); Florida Builder Appliances, Inc. (9133); KBL Holding Inc. (1295); KLC, Inc. (0839); Kmart of Michigan, Inc. (1696); Kmart of Washington LLC (8898); Kmart Stores of Illinois LLC (8897); Kmart Stores of Texas LLC (8915); MyGofer LLC (5531); Sears Brands Business Unit Corporation (4658); Sears Holdings Publishing Company, LLC. (5554); Sears Protection Company (Florida), L.L.C. (4239); SHC Desert Springs, LLC (None); SOE, Inc. (9616); StarWest, LLC (5379); STI Merchandising, Inc. (0188); Troy Coolidge No. 13, LLC (None); BlueLight.com, Inc. (7034); Sears Brands, L.L.C. (4664); Sears Buying Services, Inc. (6533); Kmart.com LLC (9022); and Sears Brands Management Corporation (5365). The location of the Debtors' corporate headquarters is 3333 Beverly Road, Hoffman Estates, Illinois 60179.



Sears Holding Corp., et. al.
October 16, 2018
Page 3

B. One Outstanding Purchase Order.

Please take further notice that BH is in the process of fulfilling one (1) more purchase order (the "Outstanding Purchase Order") placed by the Debtors on July 25, 2018, requesting BH manufacture and prepare for shipment 1,400 units of a good made specifically for Sears Roebuck and Co. and identified as a Bladez Fitness Stratum GS II Indoor Cycle Exercise Bike/Exercise Machine at a cost of \$169.50 per unit for a total purchase order of **\$237,300.00**. A true and correct copy of the Outstanding Purchase Order is attached hereto as **Exhibit "C"**.

Please contact me immediately about arranging for completion and payment of this order as the order will soon be ready for shipment.

If you have any questions regarding the relevant goods or invoices, please do not hesitate to contact the me at (619) 236-1551 and/or elio@higgslaw.com.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Eliopoulos", written over a horizontal line.

MARTIN A. ELIOPULOS

of

HIGGS FLETCHER & MACK LLP

MAE.jl

Enclosures

EXHIBIT "A"

In re Sears Holding Corporation et. al.

Ch. 11 Case No. 18-23538

BH North America Corporation Reclamation Claim; Invoice Summary

Sears PO #	Invoice #	Invoice Date	Terms	Due Date	Product	# of Units	Unit Price	Total Cost
TD1505	INVC46550	8/22/2018	Net 75	11/5/2018	Stratum GS II	560	\$169.50	\$94,920.00
TD1502	INVC45824	9/27/2018	Net 75	12/11/2018	Stratum GS II	560	\$169.50	\$94,920.00
TD1504	INVC46869	10/4/2018	Net 75	12/18/2018	Stratum GS II	560	\$169.50	\$94,920.00
				TOTALS	Stratum GS II	1680	\$169.50	\$284,760.00

EXHIBIT "B"



BH North America
620 N. Main Center
St. Charles, MO 63301

GST/HST: 82172 1826 RT0001
QST: 1223032334TQ0001

BILL TO:

Sears Roebuck & Company
Tom Arvia
Vendor # 000540658
3333 Beverly Rd.
Hoffman Estates, IL 60179
P: (847) 286-3473

INVOICE

INVC46550

08/22/2018

SHIP TO:

Page 1/1

Sears Roebuck & Company
Tom Arvia
Vendor # 000540658
3333 Beverly Rd.
Hoffman Estates, IL 60179
P: (847) 286-3473

Purchase Order #	Customer ID	Shipping Method	Payment Terms	Due Date	Order
TD1505	SEARS005	OCEAN FREIGHT	NET 75	11/05/18	ORD046802

Quantity Ordered	Quantity Shipped	Back Ordered	UOM	Item Number	Description	Price	Markdown	Extended Price
560	560	0	EA	STRATUM GS II	STRATUM GS II	\$169.50	\$0.00	\$94,920.00

Shipment Carrier: OCEAN FREIGHT

Shipment Tracking Number:

PER AGREEMENT	Markdown	\$0.00
	Subtotal	\$94,920.00
	Misc	\$0.00
	Tax	\$0.00
	Freight	\$0.00
	Trade Discount	\$0.00
	Total	\$94,920.00



BH North America
620 N. Main Center
St. Charles, MO 63301
 GST/HST: 82172 1826 RT0001
 QST: 1223032334TQ0001

BILL TO:

Sears Roebuck & Company
 Tom Arvia
 Vendor # 000540658
 3333 Beverly Rd.
 Hoffman Estates, IL 60179
 P: (847) 286-3473

INVOICE
INVC46824
09/27/2018

SHIP TO:

Page 1/1

Sears Roebuck & Company
 Tom Arvia
 Vendor # 000540658
 3333 Beverly Rd.
 Hoffman Estates, IL 60179
 P: (847) 286-3473

Purchase Order #	Customer ID	Shipping Method	Payment Terms	Due Date	Order
TD1502	SEARS005	OCEAN FREIGHT	NET 75	12/11/18	ORD046803

Quantity Ordered	Quantity Shipped	Back Ordered	UOM	Item Number	Description	Price	Markdown	Extended Price
560	560	0	EA	STRATUM GS II	STRATUM GS II	\$169.50	\$0.00	\$94,920.00

Shipment Carrier: OCEAN FREIGHT

Shipment Tracking Number:

PER AGREEMENT	Markdown	\$0.00
	Subtotal	\$94,920.00
	Misc	\$0.00
	Tax	\$0.00
	Freight	\$0.00
	Trade Discount	\$0.00
	Total	\$94,920.00



BH North America
620 N. Main Center
St. Charles, MO 63301

GST/HST: 82172 1826 RT0001
QST: 1223032334TQ0001

BILL TO:

Sears Roebuck & Company
Tom Arvia
Vendor # 000540658
3333 Beverly Rd.
Hoffman Estates, IL 60179
P: (847) 286-3473

INVOICE
INVC46869
10/04/2018

SHIP TO:

Page 1/1

Sears Roebuck & Company
Tom Arvia
Vendor # 000540658
3333 Beverly Rd.
Hoffman Estates, IL 60179
P: (847) 286-3473

Purchase Order #	Customer ID	Shipping Method	Payment Terms	Due Date	Order
TD1504	SEARS005	OCEAN FREIGHT	NET 75	12/18/18	ORD046804

Quantity Ordered	Quantity Shipped	Back Ordered	UOM	Item Number	Description	Price	Markdown	Extended Price
560	560	0	EA	STRATUM GS II	STRATUM GS II	\$169.50	\$0.00	\$94,920.00

Shipment Carrier: OCEAN FREIGHT

Shipment Tracking Number:

PER AGREEMENT

Markdown	\$0.00
Subtotal	\$94,920.00
Misc	\$0.00
Tax	\$0.00
Freight	\$0.00
Trade Discount	\$0.00
Total	\$94,920.00

EXHIBIT "C"

PURCHASE ORDER

Order Date: 25-Jul-2018
Order No: SU1656

DIV: 1
DEPT No: 80

Last Modified: 25-Jul-2018 (Wed) 10:10 PM (EDT)
Last Printed: SRS
Buyer: SK5 SUE KMIECIK
SSM: AC2 ANGEL CHOI

Warning: PO has Validation Errors

SEARS, ROEBUCK and CO
 3333 Beverly Rd
 Hoffman Estates, IL 60179

VENDOR NAME BH NORTH AMERICA CORP CONTACT MARK CHRISLIP\NIKKI KRAVANIS ADDRESS 20155 ELLIPSE FOOHILL RANCH CA COUNTRY UNITED STATES TEL 636-536-4393\949-206-0330 EMAIL mchrislip@chrislipsales.com,nikki kravanis nikki.kravanis@bhnorthamerica.com Vend Nbr: 7099 DUNS #: 01000336966 FDA Reg MFG Id USBHNR2015FOO	TOTAL COST OF ORDER USD \$237,300.00 Payment to be made by: Wire Transfer Payment Terms: 74 days
--	--

FOREIGN AGENT OFFICE:	KKHK - SEARS HOLDINGS GLOBAL SOURCING LTD.
FOREIGN SUPPORT OFFICE:	RKKHK - SEARS HOLDINGS GLOBAL SOURCING LTD.
PRODUCTION COUNTRY:	PKKKH - SEARS HOLDINGS GLOBAL SOURCING LTD.

EACH ITEM TO BE MARKED:	MADE IN CHINA
EMBARK/GO-DOWN:	CHINA
FOB POINT: LOCATION CODE	CNNGB1H
CITY, COUNTRY	NINGBO, CHINA

Factory Details

FACTORY NBR 104175
NAME ZHEJIANG HOPE SPORTS EQUIPMENT CO LTD
CONTACT YI GUO FU
ADDRESS NO.19 HARDWARE RD, HARDWARE
 MACHINERY INDUS, ZONE WUYI
 JINHUA
 ZHEJIANG
COUNTRY CHINA
TEL 0579-87918765
FAX
EMAIL salesa2@hope-fitness.net

Exporter Details

PURCHASE ORDER

Order Date:25-Jul-2018
Order No:SU1656

DIV:1
DEPT No:80

Last Modified:25-Jul-2018 (Wed) 10:10 PM (EDT)
Last Printed:SRS
Buyer:SK5 SUE KMIECIK
SSM:AC2 ANGEL CHOI

Items on this Purchase Order		
Item Code	ID	Description
<u>140091302877</u>	621919000-5	BLADEZ STRATUM GS II INDOOR

PURCHASE ORDER

Order Date:25-Jul-2018
 Order No:SU1656

DIV:1
 DEPT No:80

Last Modified:25-Jul-2018 (Wed) 10:10 PM (EDT)
 Last Printed:SRS

Buyer:SK5 SUE KMIECIK
 SSM:AC2 ANGEL CHOI

Item Code:140091302877
 KSN Pack ID:9130287
 12 of 5/Carton UPC:00835126203697
 Style:IC1115SHC
 Brand Name:BLADEZ
 Intl Commodity cd:GDSM

Season/Year:1-BASIC AND REPLENISHED
 Sub-Season:10-BASIC AND REPLENISHED
 CAT/SubCAT:14 / 05
 TradeMark:NONE
 Copyright Reg#:
 Mltip Carton ind:

Description
BLADEZ STRATUM GS II INDOOR

Sears Div	Item	SKU
606	21919	000

F.O.B. Price		Sell Price	Total Cartons	Total Eaches	Total Cost of Item																																												
PER EACHES	PER CARTON	\$699.99	1400	1400	\$237,300.00																																												
\$169.500	\$169.500																																																
EACHES per Inner: 1			<table><tr><th colspan="4">COSTING</th></tr><tr><th>Code</th><th>Category</th><th>Rate</th><th>Cost</th></tr><tr><td>FOB</td><td></td><td></td><td>\$169.500</td></tr><tr><td>Duty</td><td></td><td></td><td>\$7.797</td></tr><tr><td>AGENT</td><td>AGENT FEE</td><td>0.000 %</td><td>\$0.000</td></tr><tr><td>CNNGX</td><td>OCEAN FREIGHT</td><td>31.00 CBM</td><td>\$6.861</td></tr><tr><td>CUF</td><td>CUSTOMS MPF</td><td>0.000 %</td><td>\$2.203</td></tr><tr><td>DECON</td><td>DECON</td><td>34.00 CBM</td><td>\$7.525</td></tr><tr><td>HMF</td><td>HMF</td><td>0.000 %</td><td>\$2.212</td></tr><tr><td>IMCHG</td><td>IMP CHRGR</td><td>0.000 %</td><td>\$4.424</td></tr><tr><td colspan="3">Landed Cost</td><td>\$192.523</td></tr></table>			COSTING				Code	Category	Rate	Cost	FOB			\$169.500	Duty			\$7.797	AGENT	AGENT FEE	0.000 %	\$0.000	CNNGX	OCEAN FREIGHT	31.00 CBM	\$6.861	CUF	CUSTOMS MPF	0.000 %	\$2.203	DECON	DECON	34.00 CBM	\$7.525	HMF	HMF	0.000 %	\$2.212	IMCHG	IMP CHRGR	0.000 %	\$4.424	Landed Cost			\$192.523
COSTING																																																	
Code	Category	Rate				Cost																																											
FOB						\$169.500																																											
Duty			\$7.797																																														
AGENT	AGENT FEE	0.000 %	\$0.000																																														
CNNGX	OCEAN FREIGHT	31.00 CBM	\$6.861																																														
CUF	CUSTOMS MPF	0.000 %	\$2.203																																														
DECON	DECON	34.00 CBM	\$7.525																																														
HMF	HMF	0.000 %	\$2.212																																														
IMCHG	IMP CHRGR	0.000 %	\$4.424																																														
Landed Cost			\$192.523																																														
Inners per Outer Carton: 1																																																	
EACHES per Master Shipping CTN: 1																																																	
<table><tr><td colspan="2">Per Carton</td></tr><tr><td>KGS:</td><td>43.091 CBM 0.221335</td></tr><tr><td>LBS:</td><td>94.915 Cu Ft.: 7.816333</td></tr></table>			Per Carton		KGS:	43.091 CBM 0.221335	LBS:	94.915 Cu Ft.: 7.816333																																									
Per Carton																																																	
KGS:	43.091 CBM 0.221335																																																
LBS:	94.915 Cu Ft.: 7.816333																																																
<table><tr><td colspan="2">Carton Dimensions</td></tr><tr><td colspan="2">L 43.5" x W 9.0" x H 34.5"</td></tr></table>			Carton Dimensions		L 43.5" x W 9.0" x H 34.5"																																												
Carton Dimensions																																																	
L 43.5" x W 9.0" x H 34.5"																																																	
Packing Instructions		EA / ECRT																																															
CASEPACK																																																	

HTS#	\$/HTS Unit	HTS Duty %	net wgt per HTS unit	Wt Rate	Special Qty/HTS Unit	#HTS unit per price	Quota	Special Trade Indicator	Binding Rule or Preclass #
9506.9100.10	169.500	4.6							RNONE TYPE DATED

Additional Info:

Packing Instructions:
 1 PC PER CTN

Ref PO/SEQ	Dischrg Point	Final Dest. DC	Trans Mode	Orig Ship Date	Revised Ship Date	In Store Date	Flow Ind	Cartons	Qty	Pay Type
801	SHW	SHW	11	13-Oct-2018	13-Oct-2018	06-Dec-2018	X	560	560	W
802	SHW	SHW	11	20-Oct-2018	20-Oct-2018	13-Dec-2018	X	560	560	W
803	SHW	SHW	11	27-Oct-2018	27-Oct-2018	20-Dec-2018	X	280	280	W

Detail Description										
STRATUM GS II INDOOR CYCLE EXERCISE BIKE - EXERCISE MACHINE										
BRAND: BLADEZ FITNESS										
MATERIAL BREAKDOWN:										
STEEL - 96%										
PLASTIC - 2%										
MISC - 2%										

Item Code: 140091302877

Sub-Item: 9130287
 Main Label:
 Hangtag: HTS:9506.9100.10
 Hanger:
 Care Instructions:

Size Strip:
 Logo:
 Vendor Model:
 RN cd:

Stitch Specs:
 Dye Specs:21919-000

PURCHASE ORDER

Order Date: 25-Jul-2018
 Order No: SU1656

DIV: 1
 DEPT No: 80

Last Modified: 25-Jul-2018 (Wed) 10:10 PM (EDT)
 Last Printed: SRS
 Buyer: SK5 SUE KMIECIK
 SSM: AC2 ANGEL CHOI

Item Code: 140091302877						
AST KEY	Size	Qty	FOB	ELC	Sell Price	UPC
9130287	N/A-01	0	OTHERS (100%) \$169,500	\$192,523	\$699.99	835126203697
		0	\$.000	\$.000	\$.00	
		=====	=====	=====	=====	
	Total	0	\$.000	\$.000	\$.00	

PURCHASE ORDER

Order Date:25-Jul-2018
Order No:SU1656

DIV:1
DEPT No:80

Last Modified:25-Jul-2018 (Wed) 10:10 PM (EDT)
Last Printed:SRS
Buyer:SK5 SUE KMIECIK
SSM:AC2 ANGEL CHOI

Additional Comments:

VENDOR PAID ORIGIN CHARGES SUMMARY TO THE BL LEVEL REQUIRED

Product liability insurance certificate covering all ship dates

SEARS, ROEBUCK and CO
3333 Beverly Rd
Hoffman Estates, IL 60179

****** NOTE ******

This Purchase Order printout is for SHC Internal use only. It is not intended to be provided to Vendors, Manufacturers or any entity outside of SHC. Please refer to Import eDocs for Purchase Order print version for vendors.

END of PO: SU1656